

Flourish—Time to Grow Financial Cashflows & Budgets

26th Apr 2022

Hello & Welcome

flourish

- Introduction.....
- Tell me who you are and what you hope to get from the session in the chat.....
- Feel free to share a website or email address



Background

- Facilitator – Gurj Kang Management Accountant CIMA qualified.
- History of Budgets and Forecasts work at the following:



Objectives - Introduction

- Run through Cashflow detail and the mechanics of the report.
- Run through Budget types, and methodology.

Part 1 - Cash Flow Forecast

- Key Points:
 - The cash flow must only contain items which are cash.
 - Include the items/service as and when it is paid for, even if paid for in advance of use.
 - Be clear about the items, set separate lines to be able to understand their cash impact better.
 - Be honest about transactions, it is easy to miss items.
 - Be honest about all items and services needed and their cash value.
 - If not paid for, but expected, use official quotes or estimates from the supplier.

Cash Flow Forecast

- Example of Cashflow for 12 months:

Key action is to detail the opening balance

Each item is either Cash in, or Cash out.

The Closing balance informs of the available cash.

Part 2 – Budgets - Definition

“The budget is a detailed representation of the future results, financial position, and cash flows that management wants the business to achieve during a certain period of time.”

CIMA – Chartered Institute of Management Accountants

This is usually updated once a year and set in advance.

What are they?

- Vital tool for understanding business performance
- Gives business structure and enforcing strategy and discipline
- Important for the use, and acquiring of funding.

Budgeting Ideology

"A budget is telling your money where to go, instead of wondering where it went." – Dave Ramsey

"The best way to stick to your budget is to start one."

"A budget is more than just a series of numbers on a page; it is an embodiment of our values."
– Barack Obama

Why are they important?

- Cost behaviour analysis
- Income stream analysis
- Evaluation
- Motivation
- Information Sharing
- Expectation
- Strategy Delivery
- Clarity
- Problem identification

Budget Workthrough

- Key Things to think about:
- Treat the creation like a science. The review as an art.
- 'Granularity' is key. Get to the basic unit. The Budget can then serve as building blocks.
- Build, challenge and ensure you record assumptions and workings.

Budgeting Methods

- **Top Down budgets** – set by Management, and used to help deliver the strategy as they see fit for the organisation.
- **Participative** – Used by gathering information from around the business and 'building up'.
- For most businesses, it is a combination of both.

How to approach your budget

- Gather as much information as you can
- Be as honest as you can
- Apply Logic
- Start early and build across multiple phases.
- Save all workings, calculations and assumptions.

Budget Methodology

- Gather as much **information** as you can
- Be as **honest** as you can
- Start early and build across multiple phases.
- Step away from it and check to see if it aligns with the company vision.
- **Check** to build in as much expectation as you can. (market & political decisions)
- **Re-visit** and ensure you are happy with it

How to approach your Budget

List all of your activities

Classify them into categories:

- Income (the amount applied for)
- Expenditure

How to approach your Budget

- From all of your expenditure list them
- Classify them into the following cost categories:

- Fixed costs
- Semi – fixed costs
- Variable costs

Budgets for Pricing

- Budgets are important to help you understand your good/service in the marketplace.
- Understanding all the costs enable you to build realistic expectations on price.
- **Full cost recovery** – Understanding the total cost, to allow you to ensure you are making a return to give you a profit.

Budget Template

Lay all the costs out into the Budget schedule provided.

- If Income exceeds expenditure you have a budget surplus or profit.
- If expenditure exceeds income you have a budget deficit or loss

Q & A

- We've been looking at some questions along the way through the chat so let's reflect on those
- Any further burning Questions?